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5 UNITED STATES DISTRICT COURT  
6 WESTERN DISTRICT OF WASHINGTON  
7 AT SEATTLE

8 DIVERSIFIED LENDERS, LLC,

9 Plaintiff,

10 v.

11 AMAZON LOGISTICS, INC., and  
12 VERTICAL HOLDINGS UNLIMITED,  
13 LLC,

14 Defendants.

Cause No. C16-1232RSL

ORDER TO SHOW CAUSE

15 AMAZON LOGISTICS, INC.,

16 Cross-Claim Plaintiff,

17 v.

18 VERTICAL HOLDINGS UNLIMITED,  
19 LLC,

20 Cross-Claim Defendant.

21 This matter comes before the Court on defendant Amazon Logistics, Inc.’s “Motion for  
22 Summary Judgment.” Dkt. # 103. Amazon seeks dismissal of plaintiff’s claims for damages  
23 based in part on defenses and setoffs that it would have had against the assignor, Vertical  
24 Holdings Unlimited, LLC, under the parties’ contract. In opposing Amazon’s motion for  
25 summary judgment, Diversified argues that UCC § 9-404 governs Amazon’s right to claim a  
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ORDER TO SHOW CAUSE

1 setoff and that the statute “states in relevant part: ‘Unless an account debtor has made an  
2 enforceable agreement not to assert defenses or claims . . . the rights of an assignee are subject to  
3 . . . Any other defense or claim of the account debtor against the assignor **which accrues before**  
4 **the account debtor receives a notification of the assignment authenticated by the assignor**  
5 **or the assignee.**” Dkt. # 111 at 14 (emphasis in original).<sup>1</sup> This is not the relevant part of the  
6 statute, and Diversified could not reasonably have thought that it was. Diversified intentionally  
7 used ellipses to excise subsection (a)(1), which applies in this case and which clearly establishes  
8 Amazon’s right to claim a setoff regardless of whether the setoff accrued before or after Amazon  
9 received notice of the assignment.  
10

11 Diversified misrepresented the governing law in an attempt to obtain a favorable ruling  
12 from the Court. The Court relies on attorneys, as officers of the court, to be truthful and to  
13 comply with the Rules of Professional Conduct. The adversarial system is designed to present all  
14 sides of a dispute, including all reasonable interpretations of the relevant law and facts, but the  
15 underlying assumptions are that facts are presented accurately and that arguments are made in  
16 good faith. The judicial system is ill-equipped to identify and defend against outright  
17 fabrications and misstatements, especially when made by those who are guardians of the law and  
18 play a vital role in the search for justice.  
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25 <sup>1</sup> Plaintiff went on to argue that, “Amazon is barred from asserting a setoff of employee wage  
26 claim payments against Diversified because all of the employment wage claims accrued well after  
Amazon received Diversified’s First Notice of Assignment dated April 28, 2015.” Dkt. # 111 at 15.

The Court has the inherent power to protect the integrity of the judicial system and sanction bad faith conduct. Diversified shall, within seven days of the date of this Order, show cause why sanctions, up to and including dismissal of its claims, should not be imposed for the intentional misstatement of governing law set forth above.

Dated this 17th day of January, 2018.

*Robert S. Lasnik*  
Robert S. Lasnik  
United States District Judge